



California Postsecondary Education Commission

Proposed Changes in State Oversight of Private Postsecondary and Vocational Education

Working Paper WP/05-05 • December 2005 • www.cpec.ca.gov

California has close to 2,000 privately owned schools that offer vocational programs not leading to a degree. These include schools providing training and certification for a wide variety of careers in such areas as computer technology, cosmetology, health care, and other business and technical occupations. In addition, there are over 300 privately owned colleges and universities that award degrees. These private schools and colleges are generally referred to as “state-approved” private institutions. They are regulated by the Department of Consumer Affairs, Bureau for Private Postsecondary and Vocational Education (BPPVE) and may or may not be accredited. They are distinct from the colleges and universities that are commonly referred to as “independent”. Independent colleges and universities are accredited by the Western Association of Schools and Colleges (WASC) and are not regulated by the BPPVE.

It is widely recognized that the state’s program for regulation of private postsecondary and vocational education is unsatisfactory. Some 13 reviews, reports and audits have been conducted in the past eight years to examine deficiencies in the program, the reasons for them, and possible solutions. Major problems exist in the structural framework of the law and the disparate sets of rules that govern different categories of institutions. Additionally, staffing capability, insufficient fee revenue, and inadequate site inspections and approval processes are examples of areas that contribute to the problem.

In 2004, legislation was passed appointing an independent Operations Monitor to assess the Bureau’s operations. In September 2005, the Monitor released a report with recommendations addressing problems in statutory, operational, and financial areas. Some of the recommendations can be implemented without major changes to the program’s governing statutes and regulations and without significant additional funding. However, most require substantive changes in resources, statutes, or regulations. In 2006, there will be a legislative initiative to make changes in the way California provides oversight of private postsecondary education.

History of California’s regulatory framework

In the early and mid 1980s, California earned a tarnished reputation as a haven for so-called “diploma mills”. In 1989, the Commission sponsored legislation to enact the Private Postsecondary and Vocational Education Reform Act. This law established the Council for Private Postsecondary and Vocational Education (CPPVE) as the single State agency responsible for reviewing and approving private postsecondary institutions in California. The Act also required the Commission to conduct a review of the effectiveness of the Reform Act and its implementation. In 1995, the Commission conducted its review, entitled *The Effectiveness of California’s Oversight of Private Postsecondary and Vocational Education* (Report 95-13), and found that the Reform Act should be continued indefinitely. The Act enabled the State to make tremendous strides in protecting the integrity of degrees and diplomas.

Unfortunately, in 1997, authorization for continuation of the Reform Act was vetoed due to political pressures and concerns about the level of fees, the way in which Council staff was carrying out its responsibilities, and the absence of an administrative appeals process. The Act was extended for six months through urgency legislation, but due to uncertainty regarding continuation of the program, Council staff was encouraged to seek other employment opportunities. Because the Council was unable to recruit new staff to fill the vacant positions, work backlogs began to accumulate and within six months, about 75 % of council staff had left the agency, leaving an accumulation of unprocessed applications.

In 1997, the Legislature created the Bureau for Private Postsecondary and Vocational Education within the Department of Consumer Affairs, transferred responsibility for administration of the Reform Act from the Council to the Bureau, and extended the sunset date for the Bureau to January 1, 2005. Only about 15 staff transferred to the new Bureau, nearly all of whom worked in either the Title 38 unit (veterans program) or the degree-granting unit. The non-degree unit and other specialized business groups had to be rebuilt with entirely new staff. The legislation also repealed some provisions and created a number of new provisions for several categories of educational services. While weakening some requirements, these changes also complicated an already convoluted statute, serving to make it even more difficult to administer and regulate.

Today's issues

The Operations Monitor's Report contains 77 recommendations for improving the oversight of private postsecondary and vocational education. Major problem areas lie in the structural framework of the law, the funding mechanisms, approval requirements and processes, and enforcement. The following are examples of specific recommendations in the report:

- Overhaul the Reform Act to provide a consolidated structure that is applicable to institutions offering non-degree and degree programs, or a combination of both;
- Restructure the accredited institution and religious institution exemption provisions;
- Streamline and simplify requirements and timelines for new approvals and re-approvals;
- Restore and reorganize staffing to provide adequate implementation of the law;
- Improve complaint and investigation procedures;
- Improve enforcement mechanisms for unapproved institutions;
- Significantly overhaul the Student Tuition Recovery Fund;
- Restructure annual reporting procedures;
- Realign the current fee structure so that it is consistent with the Bureau's actual costs; and
- Restructure the management information and fiscal systems to be consistent and develop a plan for ongoing improvement to the system

Based on considerable experience working with both the Council and the Bureau, Commission staff believes that the recommendations made in the Operations Monitor's report are legitimate. The review was comprehensive in seeking input from a broad spectrum of parties involved and validates CPEC staff

observations and experience, and those of most other observers and participants involved in the program.

Recommendation

The private sector is a vital part of meeting the postsecondary education needs of the State and should be a major component of the State's efforts to provide high quality education and address future enrollment needs. For many years, the Commission was involved in research and analysis on this issue and has adopted policy recommendations designed to ensure the integrity of degrees and diplomas and to protect students from misrepresentation and unfair practices. Because of the importance of the issue and the Commission's long history with it, staff recommends that the Commission play an active role in future discussions that will lead to substantive changes in the structural framework, operations, and fiscal management of the oversight agency.

Appendix: Reports, reviews, hearings, and audits of the Bureau between 1997 and 2005

- 1997 Price Waterhouse Transition Report, to perform diagnostic review of the Council's processing cycles and internal accounting control structure;
- 2000 Bureau of State Audits Review, to determine whether the Department was properly overseeing its regulatory boards and bureaus;
- 2002 DCA Internal Audits Office Review, to review the Bureau's programs and operations;
- 2002 Sunset Review, to review the law and determine whether it should be continued;
- 2003 Legislative Initiatives, to streamline and improve the effectiveness of the Bureau;
- 2004 Special Hearing Before the Joint Committee on Boards, Commission, and Consumer Protection, to further revise the Reform Act and make additional improvements in efficiency of operations;
- 2004 Leadership Change and Appointment of an Internal Monitor, to replace the Bureau Chief and evaluate the Bureau's workload, staff utilization, and the adequacy of the Bureau's fees;
- 2004 Sacramento Bee Investigation of the Bureau. This article criticized the Bureau, particularly its processing of new school applications, its evaluation of the quality of the education, its rare field investigations and follow-up, and its monitoring of the graduation and job placement rates required by law;
- 2004 Extension of the Reform Act and Appointment of an Independent Monitor, to extend the Act to July 1, 2007, revise provisions applying to some programs and to new applications, and require an independent monitor to assess the Bureau's operations and administration;
- 2005 Hearing Before the Joint Committee on Boards, Commissions, and Consumer Protection, to provide an update on the status of the Bureau. In this hearing it was disclosed that issues related to the need to overhaul the Reform Act and/or restructure the Bureau's regulatory responsibilities remained unresolved;
- 2005 *60 Minutes* Report. This report focused on allegations that private postsecondary education institutions boost enrollment and fees by falsely representing their program completion rates, job placement rates, and starting salaries, and relax admission standards to admit unqualified applicants. It alleged that these practices lead to saddling students with large tuition loan repayment obligations and that students are often unable to realize any economic benefits in terms of job placement or higher salary levels;
- 2005 Bureau Report on Staffing and Fees, to assess the cost of meeting the Bureau's statutory obligations, determine the staffing necessary to meet those obligation, and determine whether the current fee structure allows for collection of revenue sufficient to support the necessary staffing; and
- 2005 Initial Report of the Bureau for Private Postsecondary and Vocational Education Operations and Administrative Monitor.